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# **EXPLORING THE COHERENCE AND THE MEANING OF TERRITORIAL COMPETITION: DO NATIONAL STATES BEHAVE IN THE SAME WAY AS FIRMS IN CASE OF DEFAULT?**

## **THE CASES OF GREECE AND DUBAI**

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### **Abstract**

In the modern globalized economy there are some concepts which are very important for the current socio-economic system. One of them is competition. A specific field that competition has spread is geography; i.e. competition among territorial units (cities, regions or states). There are scholars who defend it and scholars who criticize it. This paper focuses on the overview of these opinions and on the weak issues of territorial competition which show its incoherence. Within this context, and through a broader study over the behaviour of a firm and a territory, the cases of Greece and Dubai present remarkable interest regarding their behaviour under bad economic performance and its comparison with the behaviour of a firm, particularly in case of default.

**Key words:** Territorial Competition, firm competition, states, default, Greece, Dubai

**JEL classification:** A12, E60, H63, O11, R58

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### **1. Introduction**

It is now broadly accepted that space is not flat and neutral and has different characteristics; in such a way space contributes to different levels of development and to different speed of growth (Krugman, 1998) for each territorial unit. So, space creates, both negative and positive, social situations (Harvey, 2001). As each economic and social phenomenon reflects in space, so is competition related with space.

Many opinions have been expressed for territorial competition, a phenomenon which takes place among territorial units (states, regions or cities) in order to have the highest profits (developing, economic, social) for the ‘winner’ territorial unit. There are scholars who defend that competition does not concern only firms but also territories (Camagni, 1991; Cheshire & Gordon, 1996; Porter, 1999; Shotar, 2005; Metaxas & Tsavdaridou, 2011) and there are others who dispute it (Krugman, 1996; McPetridge, 1995; Yap, 2004). The first issue that this paper deals with is a general review of these opinions regarding territorial competition, going through a comparison between the economic behavior of a firm and a territory, making efforts to show the concept’s incoherence and importance.

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The discussion over territorial competition includes many comparisons of the economic behaviour between a firm and a territory. One of these aspects is analyzed in the second part of this paper which focuses on the comparison between the way that a firm and a territorial unit behave in occasion of bad economic performance, the possibility of defaulting and what this default finally means. In this way of thinking, this paper studies Greece and Dubai, two cases which had recently (and still have) extremely bad economic performance, aiming at proving that the way that a territorial unit behaves in such an occasion is quite different to this of a firm.

This paper aims, in this way, at participating in the scientific debate regarding territorial competition which includes many interesting opinions of economists, planners and geographers. Summarizing, this paper contributes to this debate with: a) a deep review of the theoretical review for territorial competition in order to propose a classification of all the opinions in two approaches: defenders and critical, b) as an outcome of this review, there efforts to show territorial competition's incoherence by focusing on its weak issues, c) a comparison between the behaviour of a firm and of a territory in case of bad economic performance or bankruptcy.

With these questions, this paper makes efforts to challenge many misconceptions regarding territorial competition. An integrated review can contribute to a better understanding of the notion of territorial competition. Finally, by the case studies it is shown if a national state can extinct after its default or not.

## **2. The opinions for territorial competition**

According to Porter (1999), the theory that competition is one of the most powerful forces for making things better is truer nowadays than it had never been before, because competition appears in almost every aspect of our life, including education, health, arts, wealth fare, politics and others. One of these fields is geography resulting in the emergence of territorial competition.

To start with this study, it is necessary to define the perception and the meaning of the concept of "territory" and the way that it is used in this paper. Territories are social aggregation, spatially expressed, each of them with its own economic and political characteristics (Lovering, 1999). In other words, it is considered that territories are economic entities, collective bodies which link the economic conditions to a place.

Territorial competition was introduced in policy and science discussion in the period of globalization, which is characterized by the increasing complexity and density of global supply chains, internationalization of finance, market and commerce by opening national borders and, mainly, high accumulation of wealth in large multinational corporations and elites who benefit from them (Harvey, 2005; Aiginger, 2006; Pitelis, 1996). These important changes have been implemented by policies which support and are promoted by neoliberalism.

### ***Defenders***

Throughout evolution of economic geography, mainly during last 20 years, a particular approach, defended by many authors, has established the concept of territorial competition, meaning competition among territories (states, regions, cities). According to Lever and Turok (1999) it is the effort of the regions or states to "produce goods and services which meet the test of the wider regional, national and international markets,

while simultaneously increasing real incomes, improving the quality of life for citizens and promoting development in a way which is sustainable”.

In terms of governance territorial competition is:

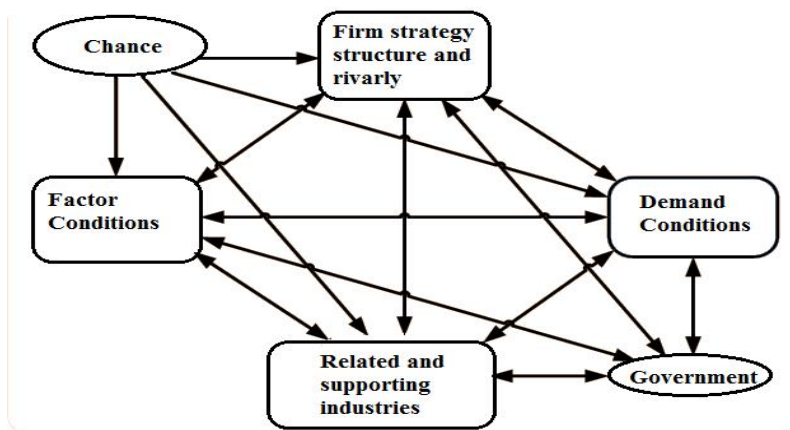
*“The process through which groups, acting on behalf of territorial economy, seek to promote it as a location for economic activities, either implicitly or explicitly, in competition with other places.”*(Cheshire & Gordon, 1996)

According to Reinert (1995), a territory competes in order to create the conditions for a rise of its standards of living. A territory is competitive when it is capable to attract and keep economic activities while the standards of living maintain stable or increasing (Storper, 1997). Also, through territorial competition the economy of a territory (mainly one of the winners) can provide an increasing standard of life for its inhabitants (Malecki, 2000).

It is not only the marketing or the attempts for selling the territories, but also the improvement of the factors that makes the territory attractive for investment and migration (Malecki, 2004), in the struggle of territorial competition.

Porter introduced the concept in a new era, “new territorial competition” in 1990 by focusing on competition which takes place among nations and states. Porter claimed that the regions compete for providing the best possible working conditions for business. Additionally, he emphasizes the role of clusters (which represent a combination of competition and co-operation) and their positive influence to the competitive advantage of the places (2000). Porter relates the advantage of one state on competition to four, well known as the ‘National Diamond’ (Figure 1).

**Figure 1: The ‘National Diamond’**



Source: Porter, 1990

Gradually we move from the concept of competitiveness to that of attractiveness, especially when we analyze sub-national territories (region, counties, urban centers etc). The attractiveness refers to the double capacity to (i) attract and maintain population offering it appropriate standards of living and (ii) to attract and generate competitive activities. According to Morvan (2005: 52), this is the result of an efficient combination between the strategies and trajectories of the local actors and the ability of the territory to define a specific offer which differentiates it from other regions. Comparatively to the territorial competitiveness, the attractiveness refers to a more global strategy which has

for objective, not only the economic sustainability but also the environmental and socio-cultural sustainability, based on the principle of “territorial capital” (Lollier et al., 2005: 116).

Territorial competition has been largely promoted by institutions and organizations like EU (European Union) and OECD (Organization for Economic Co-operation and Development). EU has established commissions and councils which analyze, examine, present and propose principles and policies related to territorial units' competition. EU gives to territorial competitiveness (one of the Lisbon Treaty goals) the following definition: “the degree to which a country can, under free and fair market conditions, produce goods and services which meet the test of international markets, while simultaneously maintaining and expanding the real incomes of its people over the long term” (Commission, 1999:75).

OECD (1996) defined competitiveness (in a general level) as ‘the capacity of firms, regions, places to produce high level of income and employment’.

It is broadly accepted that competition is a zero-sum game; it has winners and losers: the most powerful players win and the many weak players lose (Marx, 1844). Especially, Cheshire and Gordon (1998) mention that the success of one territory, which depends partly on the policies that are designed to promote territorial economic activity, can only be a fact at the expense of others. Cheshire (1999) claimed that the territories with the highest capacity ‘to have incentive to develop territorially competitive efforts would be the potential gainers’. So, the most competitive territory wins.

The basic question and discussion within defenders' approach is whether the territories compete in the same way that the firms do and whether territories could be considered as products. Within this approach there seems to be conflicting views: Van den Berg and Braum (1999) consider that territories compete in the same way with the firms while Turok (2004) claims that the way is different. Territorial competition occurs from the competition between firms due to the ‘quality’ (the ability to achieve and maintain the quality of products) and ‘innovative’ (the ability to innovate) dimension: these two dimensions of competition meet conditions which are external to a firm (Porter, 1999). This fact, leads to the transition from the situation that the territories are the locations for ‘competitive activity’ by firms in a situation that the territories must be ‘themselves competitive’ (Courchene, 1999).

### ***Critical approach***

In the fields of economic geography, competition has been implemented into three different levels: 1.the firm 2.the industry 3.the nation (territory). First of all, the critical approach claims that firm's competition is the most meaningful level (McFetridge, 1995). A direct extension of competition from firms' to national level is *a priori* faulty (Yap, 2004).

Territorial competition is a meaningless and useless concept and a result - derivative of firms' one (Krugman, 1996). According to Krugman (1997), “competitiveness is a kind of ineffable essence that cannot be either defined or measured”. So, it is a case of firms' competition about the location; the concept of competition “has a clear meaning only when applied to commensurable units (firms) engaged in commensurable activities (competing in a market) so that relative performance can, in principle, be measured along

a common scale. When applied to territorially-defined social aggregations such as cities or regions, the term losses all coherence” (Lovering, 2001).

There are many reasons that territorial competition is a misleading concept:

- Firstly, urban, regional and national environment is very important for firm competition but not the determinant (Krugman, 1997): the determinant factors of firms’ success are internal to them (cost efficiency, innovation and marketing).
- Secondly, the distribution of economic activities in space occurs as a physical result of market under agglomeration economies’ conditions.
- Thirdly, the territorial units do not behave in the same way with firms in case of default (Krugman, 1997: 6). This issue is examined in the second part of this paper.
- Growth is a concept at which a territory aims for its own sake and not in order to compete with the others (particularly for a state): “Maintaining productivity growth and technological progress is extremely important; but it is important for its own sake, not because it is necessary to keep up with international competition” (Krugman, 1997: 101). Thus, the factors of standard of living depend, mainly, on domestic market and policies that are implemented (Krugman 1994; Yap 2004).

Furthermore territorial competition is a buzz concept, i.e. it is used widely but vaguely, without its real meaning and outside from its theoretical and technical context (Fagerberg, 1996). Bristow (2005) claims that defenders have very simply assumed that what applies to the level of firms (like competition) can be transferred to other entities like territories and that this is not only a belief or opinion of them but the concrete reality.

**Table 1:** Basic Characteristics of the two approaches

<b>Topic</b>	<b>Defenders</b>	<b>Critical</b>
<b>Determinant factors of firms’ economic performance</b>	External to firm (Porter, 1999)	Internal to firm (Krugman, 1996; Bristow, 2005)
<b>Territories bankrupt in the same way as firms</b>	Yes (Camagni, 2002)	No (Krugman, 1994)
<b>Territories compete in the same way like firms do</b>	Yes (Van den Berg, Braum, 1999) + No (Turok, 2004)	No (Krugman, 1997)
<b>Direct extension of competition from firm to territories</b>	Right (Courchene, 1999)	False (Lovering, 2001; Jessop, 2008)
<b>Territorial competition → a buzz and fuzzy concept</b>	No (Cheshire and Gordon, 1996)	Yes (Fagerberg, 1996)
<b>A territory increase its growth and productivity for</b>	Competing the others (Lever and Turok, 1999)	Its own sake (Krugman, 1997)
<b>Territorial competition</b>	Meaningful and useful, the basis for territorial development (Storper, 1997)	Useless and meaningless (McFetridge, 1995)

Source: Authors

According to Jessop (2008), territorial competition is a “key discursive construct” to which, recently, much rhetoric has been given serving particular interests which reinforce capitalist relations and hurt regional resilience. It is constructed narrowly and is much more than the “simple head-to-head stereotype and market motivations manifested in multiple ways” (Bristow, 2005). Bristow, also, claims that the acceptance of territorial competition in the policy have taken place without dealing with many important questions and topics regarding it. As a consequence of defenders’ approach there has been spread a narrow unsophisticated and “de-contextualized” meaning of territorial competition which could be called as ‘placeless’ (Bristow, 2010).

Territorial competition is a narrow concept that portrays regions as being locked in fierce head-to-head battles with one another for mobile capital and resources (Kitson *et al.*, 2004). Thus, what is the meaning of a war between territories? According to Krugman (1996) it has no meaning and no usefulness. Table 1 summarizes the basic characteristics of the three approaches

### 3. Weak issues of territorial competition

So, firstly, there seems to be problems regarding the definition of territorial competition: there has not yet been a clear definition that will be generally accepted (Malecki, 2002; Bristow, 2005). Furthermore, there are many problems with regards to measurement and indicators of territorial competition. A broadly accepted indicator has not been found yet (Begg, 1999).

The defending approach claims that the growth rate of living standards essentially equals the growth rate of productivity relatively to competitors and not the domestic productivity (Krugman, 1994). Even though world trade is larger than ever before, living standards are always determined by domestic factors and not by the competition for world markets. Growth is a concept at which a territory aims for its own sake and not in order to compete with the others (Krugman, 1997).

Territorial (national, regional or urban) environment and space are very important factors for economic activity location and success, but they are not the determinant ones. The determinant factors of firms’ performance are within firms’ environment (Krugman, 1997). Especially regarding Multinational Enterprises, the determinant factors that drive the re-investment process in regions are internal in them (Phelps *et al.*, 2003). But even non-multinational firms are, also, greatly affected by international networks in which they participate (Tracey & Clark, 2003).

Through this study of territorial competition many differences between the economic behaviour of a firm and the economic behaviour of a territorial unit have been noticed. One of them is that that territories cannot default in the same way as the firms do. Camagni (2002) claimed that territories, and mainly regions, can go out of business “if all of its sectors are less competitive and efficient than other regions”. However, territorial units cannot bankrupt like firms, cannot extinct (Krugman, 1994). For a territory, bankruptcy does not result in extinction but is equal to the loss of its sovereignty.

So, concerning all the weak issues of territorial competition that were quoted above and with kind respect to all the opinions we could argue that territorial competition is not a very meaningful and coherent concept. It has been given a disproportionately big



significance in terms of policy and its usefulness should be controlled. Table 2 summarizes the main weaknesses of territorial competition

**Table 2:** Weak issues of territorial competition

1.No clear definition and measurement way generally accepted → buzz and fuzzy concept (Bristow, 2005)
2.Living standards are always determined by internal factors (Krugman, 1994)
3.Determinant factors for the firms' performance → internal to firms (Krugman, 1996)
4.Territories cannot go out of business like firms do (Krugman, 1994)

Source: Authors

#### **4. Do national states behave in the same way as firms in occasion of bad economic performance?**

The discussion over territorial competition includes many comparisons of the economic behaviour between a firm and a territory. One of these points is the way that a firm and a territorial unit behave in occasion of bad economic performance, the possibility of going out of business and what this finally means. So, another aspect that enhances the incoherence of territorial competition, being one of its weak issues, is the way that a territory behaves in case of bankruptcy. Below, two case studies are examined which show that national states may default and as a result lose their sovereignty but they cannot extinct from the world map, as probably firms would do (Krugman, 1994).

The situation, that almost all states have a quite bad economic performance, takes place due to the neoliberal policies that have been implemented during the last 40 years and mainly nowadays due to economic crisis. Currently, one of the most noticeable implications of crisis was its impact on the national economies and specifically on national debt. National debt has gradually increased by the huge amounts spent by governments to rescue the banks and the financial companies that have heavily invested in 'toxic' financial products in the virtual financial economy. The huge sovereign debts and budget deficits emerged as a result of the neoliberal policies that are based on two pillars:

- a) National States borrow huge loans from international markets in order to: finance banks and projects that are profitable for large enterprises (and not to sustain the welfare state as it is mainly said) and to refinance older state debt (Lapavitsas, 2010).
- b) National States don't tax all the citizens equally and in most of times they do not tax the upper class (Byrne, 2001). They do not apply progressive taxation, thus they do not have revenues in order to decline the debts resulting in a great increase of their deficits.

This situation was the main reason for the establishment of organizations like IMF (International Monetary Fund) which lend money to states with the exchange of supervising their economy (Cleaver, 1989). In current socioeconomic system the debt can show how bad the performance of a national economy is; it is, also, a mechanism for new and harder measures which on the one hand deteriorate the living standards of the



workers and youths and on the other hand they contribute to the reproduction of the system (Moran, 1998).

Current economic crisis has largely contributed to the increase of national debts and deficits (Radice, 2011) especially in the developing economies (Bose and Jha, 2012). This crisis, originated from the housing sector, has spread to all sectors of production and affected mainly the developed economies of the West World (USA and EU). It has the characteristics of a crisis of capital hyper - accumulation (Mandel, 1985), adopted in the financial sector, in which global economy is extremely specialized. All these investments in subprime mortgages (Neira, 2009), the huge private loans and the housing sector bubble in the USA in 2006 are the rest of the main characteristics of this crisis (Lapavitsas, 2010).

Crisis has had a huge negative impact on all the aspects of socioeconomic life in the West World in a geographically and socially unequal way. It is a strong, long and deep crisis and shows high resistance against all the attempts to confront it. Some key data reflect clearly the new situation: (i) in 2008, the total world growth was negative (-4.5%), (ii) the world real GDP growth was -0.9% in 2009 while in OECD countries the situation is worse : -3.3% in 2009, 0.5% in 2008 and 2.8% in 2007, (iii) consequently, in OECD countries, the total unemployment is increasing: 6% in 2008, 8.1% in 2009 and 8.5% in 2010 and finally (iv) the world trade growth is negative in 2009: -11% (OECD, 2010).

## 5. Case studies

There are many examples of states (mainly in the struck of each of the three big global crises in the last 100 years (1929, 1971, 2008) that had a very bad performance which resulted in bankruptcy (Egypt 1984-6, South Africa 1993, USA 1933 and 1971, Japan 1952) [El-Mahdy & Torayeh, 2009]. In current period there are two very characteristic cases of states in a situation like this: Greece and Dubai. At this point, it should be noticed that in the case studies this study focuses on the territorial level of the national state (as an economic entity). Furthermore, there is a difference between national and sub-national bad economic performance and bankruptcy, i.e. that a national state's default is much different to a region's default mainly because of the different institutional conditions in each level. They were selected for this research for specific reasons: a) These two states are two of the most recent cases, when this research is conducted, which defaulted formally or informally, b) Greece was selected because it is the first Member State (MS) of EU that joined the stability program which both EU and IMF established, c) Dubai was selected because until 2008, that its bail out was announced, it was the paradigm of the fast and easy economic development.

### *The case of Greece*

Since 2001 Greece is in Eurozone, a zone which has massive structural problems of institutional design and inability to cover failures. The integration of peripheral economies (Greece, Spain, Portugal, Ireland) in a common currency union had its big disadvantages which were largely indicated during crisis: Eurozone, from its structure, creates surpluses for the core economies and deficits for the peripheral ones (Lapavitsas, 2010). These surpluses become exports of capital in foreign direct investment or in bank

lending to the peripheral (MS). This domination of the core economies is fundamental to Eurozone from the extremely high exchange rates that peripheral MS accessed Eurozone.

Greece is one of these states that had borrowed huge loans for all the reasons that have explained above. But, in the last decade, the situation has largely worsened: on the one hand Greece (like the majority of developed states) did not borrow in order to make investments but in order to refinance the old debt and the interests and to finance large enterprises (like Siemens) and on the other hand there was tax evasion of the upper class. In such a way, the revenues of the state were not increasing resulting in the high increase of deficit.

Because of this situation, Greek government joined the EU, ECB and IMF stability program resulting in huge budget cuts in public expenditures and in wages in public sector. All these political actions took place in the name of competitiveness: Greece had lost its national competitiveness, so there is need to push down the minimum wage in order to be more competitive, but this can never happen if Germany continues to have stable its wages.

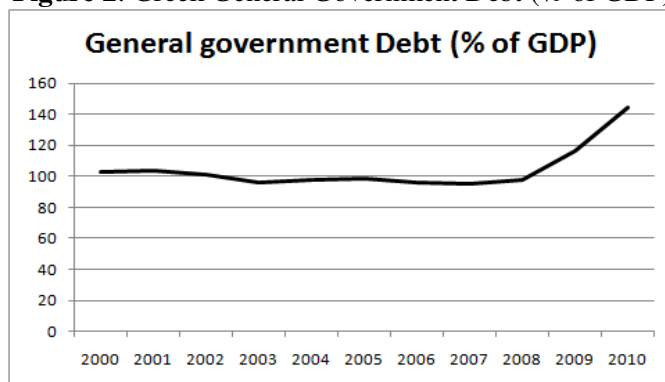
The rate of deficit of Greek economy in 2000-2003 is one of the highest in EU (Eurostat, 2010). 2004 was the Olympic Games year which had important impact on Greek economy's structure: this mega-event was stigmatized as the basis for the beginning of a new period of economic growth. However, it had never had the results and benefits that were expected on Greek economy. On contrary, the deficit increased the year that all the financial obligations of Greek economy took place due to the Olympic projects: in 2004, the rate of deficit, according to Eurostat, was the highest in EU (-7.5%).

After 2004<sup>4</sup> Greek rate of deficit slightly decreased before being the highest in EU in 2008 and 2009, a situation which indicates the huge negative impact that global economic crisis had on Greek economy revealing the previous bad performance in the most emphatic way. In 2009 the deficit was -15.4% of total GDP of Greek economy. Even in absolute numbers the Greek deficit was extremely high, being the 6<sup>th</sup> place in EU27 lower only than the 5 big-size economies of the Union (Germany, France, Spain, Italy, UK) and higher than bigger economies like the Netherlands. This is very important since Greek economy is a medium-size one.

As it concerns Greek Government debt (Figure 2), from 2000 to 2006 it had wild fluctuations around 100% of GDP. After crisis struck Eurozone (2008), Greek debt gradually increased, while in 2010 it rocketed up to 144% of National GDP. Greek debt increased so much due to the huge loans of Greece (from both international markets and EU MS) in order to rescue the banks, the financial institutions and to pay off the old debt and interests.

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<sup>4</sup> The source of all the data in this paragraph is Eurostat (2010)

**Figure 2:** Greek General Government Debt (% of GDP)

Source: Eurostat, 2010

Global economic crisis had a very negative effect in Greece, like in the whole periphery of EU, increasing the level of interest rates in the 'markets' in 6% (March 2010) since they did not trust Greece as a guarantor. In addition, unemployment reached 7.7% (2008) and 9.5% (2009) (ELSTAT). Then, the government preferred, among others, the solution of IMF and EU because the fames of possible default increased. The first loan after the access in the stability program of EU, ECB and IMF was almost 150 billion euro, in its first phase in 2010. The exchange was that the political and economic process of Greece would be supervised by EU, ECB and IMF. The living standards of Greek workers and youths at this period (labor conditions, budget cuts, austerity measures) largely deteriorated by the interventions of IMF and EU in the political and economic affairs of Greece, in the same way as in all the states that IMF interfered (Moran, 1998). Unemployment in Greece in 2010 rocketed up in 14.8% and in 2011 in 21% (ELSTAT, 2012). The big majority of the loans were given in order to rescue the banking system and to re-finance the old debt and interests.

Furthermore in February 2012, the voluntary hair cut of Greek debt was completed ending in a cut of 100 billion euro. This hair cut which was decided in 26<sup>th</sup> October 2011 by European Commission; however, it was not the only important decision: it was accompanied by a new loan of 100 billion euro from EU, European Central Bank and IMF to Greece and 30 billion financial guarantee for the participation of private sector (PSI) in order to participate to the voluntary haircut (Council of EU, 2011). The hair cut took place through the exchange of the bonds that were expiring in 2012-2015 period with new that expire after 15-30 years resulting in a situation of 'selective default' as the credit rating agencies claimed.

So, Greek government had selected to cut its internal payments (salaries, pensions) and to borrow huge loans in order to pay off the old debt and to rescue the banking system. As an exchange, huge austerity was implemented, which led Greece to the biggest recession in its history. At this point it should be noticed another negative aspect of Greece's access to Eurozone: the inability of Greek government to have a national currency and financial policy since it has not its own national currency. By devaluating national currency and using other macroeconomic instruments without external control Greece would have avoided all this process and would have recovered its stability. Many scholars have given different names to the Greek situation: 'selective default', 'domestic

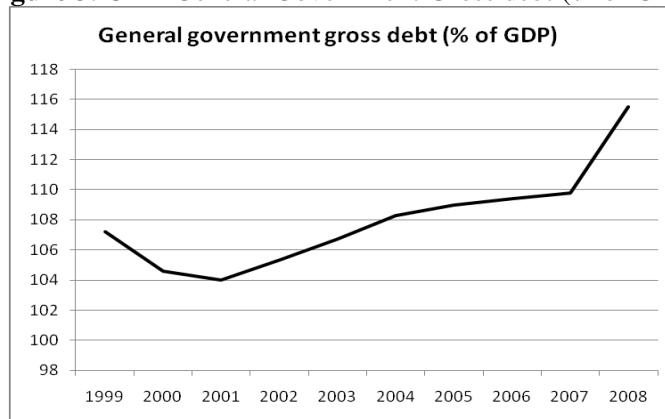
bailout’ or that Greece was (and is still) very close to announce its bankruptcy. The situation of Greece is considered as an “informal default”. As a result Greek government decided to lose its national sovereignty and to join the stability program of IMF and EU. However it did not extinct.

After this informal default, Greece did not behave like a firm: it did not disappear or extinct from the world map, because Greece is not a firm but a territorial unit representing much more aspects than a firm. A firm which cannot cover the financial obligations of the business due to the lack of capital, even after many loans and government subsidies, (Boardman *et al.*, 1981) bankrupts resulting in one of the following scenarios: merge with another firm, sale to another owner in a public auction and change of many aspects or totally extinct (Helwege, 2010).

### ***The case of Dubai***

Dubai, one of the seven of United Arabic Emirates, has been one of the fastest growing economies in the world; its economic basis is mainly on oil and real estate. Dubai has been in the centerpiece of the global economic crisis in 2008 because it was exposed to the real estate sector. As a result crisis, originating from the housing sector bubble, had a major negative impact on the economy of Dubai. In addition, the big specialization of Dubai’s economy in financial sector contributed to a more significant impact. In order to be resilient in this situation, the government of Dubai increased its loans; as a result Dubai’s foreign debt became \$88 billion in 2008 (Economist, 2009). In 29 November 2008 it announced that it would delay repayment of its debt. The bond credit rating agencies announced its default. The data<sup>5</sup> regarding this emirate indicate that after 2007 and especially in the beginning of the crisis it had very bad economic performance (Figure 3).

**Figure 3: UAE General Government Gross debt (% of GDP)**

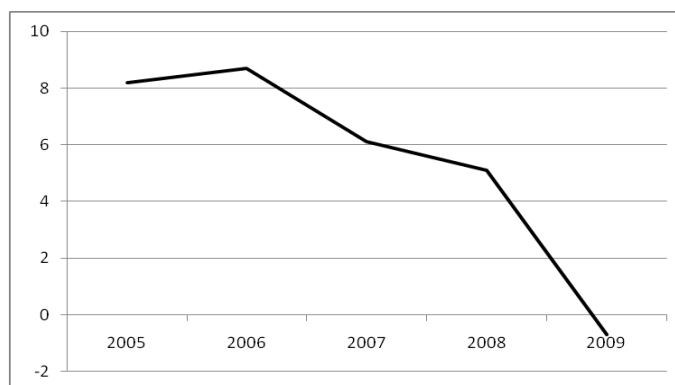


Source: Ministry of Finance of UAE (2009)

<sup>5</sup> Great difficulties were faced in order to collect all the data for Dubai since it is not a separate state but it is in an intermediate situation being a member of the state of United Arabic Emirates (it is one emirate of this state): All the available data referred to the level of UAE.

Furthermore, the real annual GDP growth in UAE (Figure 4) had a gradual decline from 2005 until 2008 (from 8% to 4.5%) when it decreased by 5.5% in only one year (from 4.5% to -1% in 2009). The decline in economic growth of Dubai, which influences so much UAE, was a result of global economic crisis (Economist, 2009). This entire situation forced Dubai to announce its delay to foreign debt's repayments. In order to continue its repayments and since Dubai could not borrow from the markets, the solution was given by a loan which Dubai borrowed from Abu Dhabi Prince.

**Figure 4:** Real annual GDP growth (%) in United Arab Emirates



Source: DSC, 2010

Despite this very bad economic performance, the decline of all important economic sectors and consequently Dubai's bankruptcy, this emirate-state did not extinct (like a firm would have probably done) but is still active.

So, comparing the two cases, Greece, a national state, had a very bad economic performance, after crisis struck, because of its access in Eurozone, its tax evasion and its useless (for the majority of the society) borrowing in the past while Dubai, after crisis struck, had largely negative growth due to its specialization in real estate and financial sectors. Greece was obliged to join the rescue program of EU, ECB and IMF and to borrow from the MS of EU, to hair-cut its debt and to implement huge austerity which resulted in the biggest recession in Greece's history during an informal default while Dubai's government announced the delay to the repayment of its debt, announced its bankruptcy and borrowed from the prince of Abu-Dhabi. The similarity is that, despite their (formal or informal) default, these two states did not extinct from the world map but they continued to be active as territories.

## 6. Conclusions

In the first part of this paper the concept of territorial competition, the procedure which takes place among territories for attracting investments, residents and events, has been in detail examined and analyzed. There was a review in the literature through two particular approaches: the defenders and the critical.

In order to go further with the comparison of the economic behavior of a firm and of a territory there were efforts to show the way that a territorial unit behaves in case of bad economic performance or even after its default and its comparison with a firm's behavior.

The data of Greece and Dubai indicated their bad economic performance which obliged their governments to announce or almost to announce their default resulting in the loss of their national sovereignty (economic and political) resorting to solutions like IMF. But in this procedure there is a great difference between the legal entity of a firm and the collective body of a territorial unit.

A territorial unit may have bad performance like a firm. A territorial unit may announce its default like a firm. As a result a territorial unit may lose its sovereignty like a firm would lose its independence if it was sold. However, a territorial unit cannot extinct or disappear like a firm. Many territorial units disappeared by an institutional change or by merging with another (after wars or change in the local-regional administrative system) but no of them extinct due to bankruptcy. Going further on this, Germany (1939, 1948), UK (1932) and India (1972) had bankrupted but they did not extinct. So, a firm is possible to bankrupt and to extinct whereas a territorial unit, which represents much more aspects than a firm, cannot extinct even after the announcement of its default. Bankruptcy for a national state results in the loss of sovereignty. This case studies' examination contributed in extending the comparison between the behaviour of a firm and of a territory in the case of bad economic performance or bankruptcy.

Taking into account all the weak issues of territorial competition that were quoted in the first art of the paper and combining them with the conclusion that territories behave in a different way than the firms we could argue, with kind respect to all the opinions, that territorial competition is not a very meaningful and coherent concept. It has been given a disproportionately big significance in terms of policy and its usefulness should be controlled.

However, the research regarding territorial competition and its theoretical perspective has more things to contribute. Some future research issues could be the direct examination of its real existence or the reasons to avoid territorial competition as the main territorial development policy.

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